CONTENTS

	Page	
I. Summary	1	1/A6
II. Findings	3	1/A8
III. Recommendations	3	1/A8
IV. Discussion	4	1/A9
A. Introduction	4	1/A9
B. Regional Economic Development Services Office (REDSO)	5	1/A10
1. Evolution of the REDSO	5	1/A10
2. Staff employed and number of countries serviced by REDSO	6	1/A11
3. Services provided by REDSO	8	1/A13
4. Extent of servicing by REDSO	10	1/B1
5. Altering the REDSO concept	12	1/B3
C. AID auditing of developmental assistance programs overseas	12	1/B3
1. AID Auditor General	12	1/B3
2. Stationing of auditors overseas	13	1/B4
3. Recommendation of the Joint OMB/DOS Review Team Report	13	1/B4
4. Area Auditor General's Office in East Africa	16	1/B7
(a) Services provided by the Area Auditor General in East Africa	16	1/B7
(b) Staff employed	17	1/B8
(c) Extent of servicing by the Area Auditor General	17	1/B8
5. Lack of presence of Area Auditor General in West Africa	17	1/B8
V. Conclusion	18	1/B9

rem no. 1008-D

x 96-2:H.Rp. 1424

Union Calendar No. 867

96th Congress, 2d Session - - - - - - - House Report No. 96-1424

THE CONTINUING NEED FOR AGENCY FOR INTERNATIONAL DEVELOPMENT REGIONAL SERVICES AND AUDIT OFFICES

COMPLETED

TWENTY-THIRD REPORT

ORIGINAL

BY THE

COMMITTEE ON GOVERNMENT OPERATIONS

SEPTEMBER 29, 1980.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE

68-061 O WASHINGTON : 1980

I

23

COMMITTEE ON GOVERNMENT OPERATIONS

JACK BROOKS, Texas, *Chairman*

L. H. FOUNTAIN, North Carolina
DANTE B. FASCELL, Florida
WILLIAM S. MOORHEAD, Pennsylvania
BENJAMIN S. ROSENTHAL, New York
FERNAND J. ST GERMAIN, Rhode Island
DON FUQUA, Florida
JOHN CONYERS, Jr., Michigan
CARDISS COLLINS, Illinois
JOHN L. BURTON, California
RICHARDSON PREYER, North Carolina
ROBERT F. DRINAN, Massachusetts
GLENN ENGLISH, Oklahoma
ELLIOTT H. LEVITAS, Georgia
DAVID W. EVANS, Indiana
TOBY MOFFETT, Connecticut
ANDREW MAGUIRE, New Jersey
LES ASPIN, Wisconsin
HENRY A. WAXMAN, California
FLOYD J. FITHIAN, Indiana
PETER H. KOSTMAYER, Pennsylvania
TED WEISS, New York
MIKE SYNAR, Oklahoma
ROBERT T. MATSUI, California
EUGENE V. ATKINSON, Pennsylvania

FRANK HORTON, New York
JOHN N. ERLENBORN, Illinois
JOHN W. WYDLER, New York
CLARENCE J. BROWN, Ohio
PAUL N. McCLOSKEY, Jr., California
THOMAS N. KINDNESS, Ohio
ROBERT S. WALKER, Pennsylvania
ARLAN STANGELAND, Minnesota
M. CALDWELL BUTLER, Virginia
LYLE WILLIAMS, Ohio
JIM JEFFRIES, Kansas
OLYMPIA J. SNOWE, Maine
WAYNE GRISHAM, California
JOEL DECKARD, Indiana

WILLIAM M. JONES, *General Counsel*
JOHN E. MOORE, *Staff Administrator*
ELMER W. HENDERSON, *Senior Counsel*
JOHN M. DUNCAN, *Minority Staff Director*

LEGISLATION AND NATIONAL SECURITY SUBCOMMITTEE

JACK BROOKS, Texas, *Chairman*

DON FUQUA, Florida
WILLIAM S. MOORHEAD, Pennsylvania
DANTE B. FASCELL, Florida
FERNAND J. ST GERMAIN, Rhode Island
ELLIOTT H. LEVITAS, Georgia

FRANK HORTON, New York
JOHN N. ERLENBORN, Illinois
ARLAN STANGELAND, Minnesota

EUGENE F. PETERS, *Staff Director*

LETTER OF TRANSMITTAL

HOUSE OF REPRESENTATIVES,
Washington, D.C., September 29, 1980.

Hon. THOMAS P. O'NEILL, Jr.,
Speaker of the House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: By direction of the Committee on Government Operations, I submit herewith the committee's twenty-third report to the 96th Congress. The committee's report is based on a study made by its Legislation and National Security Subcommittee.

JACK BROOKS, *Chairman.*

Blank Page

Calendar No. 867

96TH CONGRESS 2d Session } HOUSE OF REPRESENTATIVES { REPORT No. 96-1424

THE CONTINUING NEED FOR AGENCY FOR INTERNATIONAL DEVELOPMENT REGIONAL SERVICES AND AUDIT OFFICES

SEPTEMBER 29, 1980.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. BROOKS, from the Committee on Government Operations, submitted the following

TWENTY-THIRD REPORT

BASED ON A STUDY BY THE LEGISLATION AND NATIONAL SECURITY SUBCOMMITTEE

On September 23, 1980, the Committee on Government Operations approved and adopted a report entitled "The Continuing Need for Agency for International Development Regional Services and Audit Offices." The chairman was directed to transmit a copy to the Speaker of the House.

I. SUMMARY

This review of the maintenance of regional offices by the Agency for International Development is part of a continuing study by the Subcommittee on Legislation and National Security of the operations of U.S. agencies operating overseas. Additionally, the review continues the Subcommittee's study of the adequacy and effectiveness of internal audit operations of the agencies over which the Subcommittee has oversight responsibility. The findings are the result of on-site hearings and investigations in East and West Africa and extensive staff briefings in Washington and Africa. Those hearings and investigations focused on the management and administration of U.S. embassies, Agency for International Development missions and offices overseas, including support provided these missions and offices on a regional basis.

Subcommittee interest and concern was heightened by the announcement of plans by the President, early in the summer of 1979, to have

an inspection of the management and administration of foreign operations of U.S. agencies for the purpose of formulating recommendations aimed at reducing American presence outside the United States.

The President directed the Department of State (DOS) and the Office of Management and Budget (OMB) to conduct a review of U.S. Government staffing levels abroad, relative to U.S. foreign policy goals and objectives. As a result, two three-member teams, made up of OMB and DOS personnel under the direction of two former Ambassadors, Dean Brown and Richard Sneider, were sent in July of 1979 to 12 overseas posts.[1]

The Subcommittee staff was briefed prior to the departure of the two special joint OMB/DOS teams, and was briefed again following the submission of their report and recommendations to the President.

In a letter dated April 17, 1980, from Representative Jack Brooks, Chairman of the House Government Operations Committee, to James T. McIntyre, Director of OMB, the Chairman expressed his concern regarding a recommendation made by the joint teams to return to U.S. territory all U.S. direct-hire auditors and foreign assistance inspectors stationed in foreign countries. The Chairman also expressed his concern regarding the lack of audit in West Africa developed during hearings by the Subcommittee in West Africa. The letter stated in pertinent part:

> The Subcommittee hearings revealed that the lack of audit in West Africa was the result, in part, of past efforts to reduce the American presence overseas.

In light of findings by the Subcommittee during hearings held overseas and in Washington, this report focuses on the operations of the Regional Economic Development Services Office (REDSO) and the Office of the AID Auditor General. The report presents the Subcommittee's findings regarding the operation of REDSO and also the issue of whether permanent overseas positions are needed for U.S. auditors. This subject was considered by the joint DOS/OMB review teams and reviewed during hearings held by the Subcommittee on June 26, 1980 entitled, "Adequacy of AID Resources for Auditing Overseas Assistance Programs." The Committee in this report makes appropriate recommendations where necessary.

These recommendations are in accord with the commitment articulated in Chairman Brooks' opening remarks at hearings held in Abidjan, Ivory Coast on Saturday February 16, 1980, where he stated:

> We recognize the difficulties under which you (AID) sometimes have to operate. We also recognize the pressures that are generated by a world situation which is rapidly changing and which has great impact on the missions here in Africa and the Middle East. It is for these reasons that the Government Operations Committee is determined to provide whatever impetus is required to see that our overseas missions

[1] The 12 overseas posts were Brazil, France, Germany, Mexico, The United Kingdom, Switzerland, Egypt, Hong Kong, The Philippines, India, Kenya, and Thailand.

benefit from the finest possible management and administration.[2]

The views of the Committee regarding the Regional Economic Development Services Office reflect testimony received from Ambassadors, AID Mission Directors, AID Representatives, and the Directors of the REDSO's in Africa, as well as information provided the Subcommittee by employees from related agencies in both Washington and the field. The views of the Committee on the need for AID auditors to be stationed overseas therefore reflect testimony from OMB, the Department of State, and AID.

II. Findings

1. The Regional Economic Development Services Offices in Nairobi, Kenya and Abidjan, Ivory Coast generally contribute valuable and timely expertise to AID missions and offices in East and West Africa.

2. If REDSO's were to be abolished, the expertise and assistance now being provided to the U.S. AID missions and offices in Africa would have to be provided by personnel assigned to the AID missions or offices or provided by AID Washington on a temporary duty basis.

3. The initial OMB/State Department Task Force recommendation to reduce AID regional activities was made without in-depth reviews of the current operations of the REDSO's.

4. Adequate audit coverage is essential to insure that U.S. foreign assistance programs are being administered effectively and efficiently.

5. U.S. Foreign Assistance programs in West Africa have received virtually no audit coverage during the past four years. The primary reason for this lack of audits is the failure to establish a new regional audit office after the regional office in Accra, Ghana was closed in 1977.

6. The initial OMB/State Department Task Force recommendation to have all auditing of overseas activities performed by auditors stationed in the United States on a TDY basis was made without appreciation of the importance of internal auditing to AID management and to the Congress; further there was an obvious unawareness of the difficulties of auditing on such a TDY basis.

7. Concentration of a large U.S. staff presence at a particular overseas post can cause political, administrative and security problems. It is for these reasons, and others, that the Subcommittee finds that periodic reviews by agencies having such staff at foreign posts are essential.

III. Recommendations

1. All decisions which would change, reduce, or eliminate U.S. governmental staffing overseas, affecting regional offices, should take into full account the regional aspect of such decisions, and should also be

---

[2] Legislation and National Security Subcommittee hearing on "U.S. Mission and Office Operations—West Africa." Feb. 16, 1980. (Hereinafter referred to as "West Africa hearing.")

made with the full and equal participation of the Department of State, the Office of Management and Budget, and the agency or agencies involved. Furthermore, barring a supportable decision that regional services are not needed, provision should be made for continuation of such services either at the present location or another more suitable one.

2. Reviews relative to regional support services should be carefully organized and properly focused so that rational and justifiable recommendations can be formulated and implemented.

3. A more reasoned approach should be adopted or incorporated into any present or future process affecting the positioning of AID auditors/inspectors stationed overseas. This process should take into account and reflect the needs, concerns and recommendations of the AID Administrator and Auditor General.

4. OMB, in making future decisions and actions which impact on the internal audit function, should adopt an approach which recognizes the importance of this function.

5. Any request by AID's Administrator and Auditor General to provide greater audit and investigation resources should be given thorough consideration by the Department of State and OMB. Failure to approve such requests should be based on demonstrably supportable facts.

IV. Discussion

A. INTRODUCTION

The Subcommittee held hearings in Nairobi, Kenya, on February 13, 1980. Testifying at these hearings were Wilbert J. LeMelle, Ambassador of the U.S. Embassy in Nairobi, Kenya, and Donald C. Bergus, Ambassador of the U.S. Embassy in Khartoum, The Sudan. Also testifying were Glenwood P. Roane, AID Mission Director in Kenya; James S. Holtaway, Assistant Director of AID in the Sudan; John A. Patterson, AID Representative in Zambia; Alexander R. Love, Director of REDSO for East Africa; and Ray D. Cramer, the Area Auditor General for East Africa.

The East African hearings were followed by hearings on February 16, 1980, in West Africa, in Abidjan, Ivory Coast. Testifying at these hearings were Gerald A. Friedman, Charge D' Affaires of the U.S. Embassy in Abidjan, Ivory Coast, and Robert P. Smith, Ambassador of the U.S. Embassy in Monrovia, Liberia. Other representatives who testified were: David Shear, AID Mission Director in Dakar, Senegal; John Lundgren, AID Representative for Togo/Benin; and Gordon Ward Evans, Director of REDSO for West Africa.

The focus of these hearings was to review embassy operations, regional activities at the various posts and the foreign aid functions of AID, including the Area Auditor General's Office.

In addition to these hearings, a hearing was held in Washington on June 26, 1980, to review the status of the joint OMB/State Department review group's recommendation that would require all U.S. direct-hire auditors and foreign assistance inspectors stationed overseas to work from U.S. territory.

Witnesses invited to testify at the June hearing included: AID Administration Douglas J. Bennet, Jr., AID Auditor General Herbert L. Beckington, OMB Director James T. McIntyre, and State Department Under Secretary for Management Ben H. Read.

For the complete text of the overseas hearings see Report U.S. Missions and Offices (Egypt, East Africa, and West Africa). Hearings before a Subcommittee of the Committee on Government Operations, House of Representatives, 96th Congress, 2d Session, (February 11, 13, and 16, 1980).

For a complete text of the hearings held in Washington, D.C. on the Adequacy of AID Resources for Auditing Overseas Assistance Programs see Hearings before a Subcommittee of the Committee on Government Operations, House of Representatives, 96th Congress, 2d session, (June 26, 1980).

B. REGIONAL ECONOMIC DEVELOPMENT SERVICES OFFICE (REDSO)

AID has two Regional Economic Development Services Offices in Africa. REDSO, East Africa, is located in Nairobi, Kenya. REDSO, West Africa, is located in Abidjan, Ivory Coast. The offices have two major functions—to supplement the skill resources of the AID missions and to participate with the missions in exercising the guidance delegated to the field for program development and implementation.

The REDSO is an attempt by AID to provide a central, quickly available and area-specific repository of expertise in the field. AID views this as essential for the timely formulation and implementation of U.S. programs within the new development criteria mandated by the Congress.

The Committee recognizes that the nature of the programs serviced, the size and state of underdevelopment of these countries are all critical factors in determining how to provide support and technical services in an effective and timely manner. The Committee is also aware that political, administrative, cost and, at times, security problems are caused by the presence of a large official U.S. staff at any particular overseas post. For these reasons, and others, the Committee acknowledges that periodic reviews are desirable, particularly in the growing area of regional support services, in order to avoid or possibly lessen a whole range of problems caused by having large official staff presence in individual field posts.

With these concerns in mind, the following sections of the report focus on the findings of the Subcommittee during its review of the Regional Economic Development Services Offices in East and West Africa.

1. Evolution of the Regional Economic Development Services Office

AID's original attempt to administer a large number of small country programs from Washington proved ineffective and inefficient. As part of a reorganization which took place in the early 1970's, AID undertook to streamline its operations by encouraging greater supervision by field project managers and by utilizing centralized staff services both in Washington and regionally in the field to support the field project managers.

AID's first African field reorganization action was the establishment of five regional development offices (RDOS) and two capital development support offices (CDOS). The purpose of the RDOS was to concentrate on overall project goals and project management. The purpose of the CDOS was to concentrate on capital projects, by providing analysis and design of proposed projects, preparing capital assistance papers and providing loan implementation, engineering, capital assistance, and other related support services.

These offices proved effective for AID, leading the agency to broaden their functions in order to satisfy the demand for services created by the increasing number and size of country programs and the more sophisticated needs of the new development policy mandated by the Congress. The end result of this increased demand and the actions taken by AID to broaden its functions led AID to establish, in July of 1972, the two African REDSO's in Nairobi and Abidjan.

2. Staff Employed and Number of Countries Serviced by REDSO

To accomplish the REDSO the mission in East Africa and Southern Africa, the Nairobi REDSO as of July 31, 1979 [3] had employed the following professional American staff to assist client missions:

	Total	Direct hire	Contract
Legal advisers	2	2	
Food for Peace officers	3	2	1
Contract officers	1	1	
Engineering advisers	5	5	
Supply management advisers	2	2	
Capital projects development officers	5	5	
Internal analysis division	6	4	2
Administrative support	4	4	
Total	28	25	3
Vacancies	5		

The total number of REDSO staff employed in Nairobi on January 31, 1980, was 27 U.S. direct-hire professionals, 3 personal services contractors, 1 local hire professional, 2 U.S. direct-hire secretaries and 7 local-hire secretaries. The professional staff consists of anthropologists, contracting officers, economists, engineers, lawyers, project officers, specialists in agriculture, commodity procurement, environment, "Food for Peace," health and Women in Development.

The numbers and types of professional staff in REDSO/East are determined by the needs of the managers of AID programs in the 18 East and Southern African countries served by REDSO/East. Financing for those programs was $225 million in 1979 and is projected to be $321 million in 1980.

The eighteen countries serviced by REDSO/East are: Sudan, Ethiopia, Somalia, Uganda, Rwanda, Burundi, Tanzania, Malawi, Zambia, Mozambique, Swaziland, Lesotho, Botswana, Seychelles, Djibouti, Kenya, Mauritius and Madagascar.

To accomplish the REDSO responsibilities in West Africa,

[3] Staffing pattern of the East African REDSO in Nairobi, Kenya was reflected in an incoming telegram to the Department of State from the American Embassy in Nairobi, Kenya, dated August 1979.

REDSO/West in Abidjan has a U.S. direct-hire ceiling of 38, to service 24 countries throughout Central and West Africa. The breakdown of professional staff as of August 31, 1979,[4] was as follows:

	Total
Developmental officers	3
Contractors	2
Accountant Financial analyst	1
Budget Accounting officer	1
Legal Advisors	3
Contract Services Officer	2
Food For Peace Officer	2
Supply Management Officer	2
Assistant Capital Project Development Officer	2
Executive Assistant	1
Secretary	1
Capitol Project Development Officer	3
Engineering Officer and Advisors	4
Program Planning Officer	2
Program Operations Officer	1
Assistant Program Officer	1
HMRS Development Officer	1
Program Economist	1
Agricultural Economist	1
Health Officer	1
Environmental Protections Advisor	1
Subtotal	36
Vacancies	2
Total	38

Gordon Ward Evans, REDSO/West Mission Director, questioned about the total number of REDSO staff employed in the Ivory Coast to accomplish REDSO's function in West Africa, gave the following response:

> Our present U.S. direct-hire ceiling is 38 (including one international development intern) plus two long-term contract employees. These positions consist of eight management, controller and secretarial personnel, 27 professional staff who service the bilateral programs and five personnel who manage and monitor REDSO's regional programs. In addition we have fifteen foreign national direct-hire positions and ten short-term personal services contractors who have been hired locally, primarily to provide administrative, translation and clerical support.[5]

There are 24 countries that are within REDSO's Abidjan area of responsibility. Eighteen of these countries have active programs: Cameroon, Chad, Ghana, Liberia, Mali, Niger, Senegal, Upper Volta, Zaire, Mauritania, Gambia, Guinea, Guinea Bissau, Cape Verde, Nigeria, Sierre Leone, Togo, and Benin.

Mr. Evans believes that the REDSO/West is not too large considering the nature and scope of its project development and management responsibilities for both bilateral and regional programs in Central and West Africa.

---

[4] Chart on Staffing Pattern of the West African REDSO located in Abidjan, Ivory Coast, is a summarization of the Staffing Pattern prepared on August 31, 1979.

[5] West Africa hearing.

3. Services Provided by REDSO

The principal responsibilities of REDSO are threefold: first, they assist the various field missions by providing specialized support services for the design, implementation and evaluation of their program projects; second, they have primary program responsibility for regional programs and institutions; and third, they exercise specific authority and responsibility with respect to programs in countries where full-fledged missions do not exist.

Examples of the third category of responsibilities exercised by REDSO/West can be seen in the Central and West African region, where REDSO assists substantially in the management of all of the more than 25 projects in the small posts (Benin, Cape Verde, Gabon, The Gambia, Guinea Bissau, Ivory Coast, Nigeria, Sao Tome/Principe, Sierra Leone, Togo and more indirectly in Central African Republic, Congo (Brazzaville and Equatorial Guinea).)

In addition, REDSO has been delegated concurrence authority [6] for approving new projects, negotiating and executing loan and grant agreements for the smaller posts. On the other hand, in the large, fully delegated missions such as Sudan, Kenya and Tanzania in East Africa, REDSO/East has no review or concurrence authority.

In his statement delivered to the Subcommittee during hearings in Abidjan, Ivory Coast, John Lungren, AID Representative for Togo and Benin, described the relationship that exists between his small missions and REDSO.

He stated:

> In accordance with Africa Bureau delegation of authorities, the Office of the AID Representative, by reason of this limited size and staffing, has a collaborative relationship with REDSO/West through which the latter authorizes certain implementation actions concerning projects for which the Office of the AID Representative has program management responsibilities.[7]

Mr. Lundgren went on to say that his experience with REDSO's providing technical expertise and support, particularly involving such field matters as engineering, procurement, and contracting, has shown without a doubt that the existing REDSO/West is justified and has been absolutely essential in many of the various aspects of management of the programs in Togo and Benin.

In response to a question by Chairman Brooks to Alexander R. Love, Mission Director for REDSO/East, requesting his opinion on which stages of a project he would consider REDSO involvement most significant and critical, Mr. Love responded:

> That depends, again going back to the different types of missions, on the staff composition of the mission itself.

---

[6] Authority delegated to AID personnel in the smaller posts for approving new projects, negotiating and exercising loan and grant agreements and amendments for these smaller posts which is shared by REDSO.

[7] West Africa hearing.

In the case of Zambia, we would consider our involvement to be highly important during the early programming stages of the development of a country development strategy statement. And certainly at the development of the project identification document—which is the initial project document in the AID system—through the design of the project and the development of the project paper.

We would anticipate that REDSO's involvement would be fairly extensive in all those phases of the activity.

When we move into the implementation in small countries, again we would expect to be involved in the negotiation of the legal agreements and, in some cases, in the review and approval of conditions precedent to disbursement in the projects.[8]

We would expect to be involved in contracting activities. And we would expect to participate in procurement decisions to the extent they are handled in the field as opposed to AID Washington.

In the case of the larger missions, our involvement would be critical again to the extent that the missions do not have the expertise that they wish to borrow from REDSO. We would not necessarily in the case of Sudan be involved in the project identification document. We have not played a role in the country strategy statement in recent years. We may play a supplemental role in the design of the project paper. In some cases we have, in some cases we have not.

Our regional legal advisor would be consulted in the negotiation of the legal agreements.

In the past we have provided some procurement assistance on activities. And we would expect that our contracting officer would be used in the event that the mission in Sudan wished to enter into direct contracts.

The Subcommittee also received similar responses from AID Mission Representatives in East Africa regarding their relationship with and opinion of REDSO/East.

In his statement to the Subcommittee, during hearings in Nairobi, Kenya, Mr. John A. Patterson, AID Representative in Zambia, remarked:

> * * * In the case of Zambia and Rwanda, the support from REDSO/East Africa in Nairobi was effective and timely. The proximity of regional services has on more than one occasion allowed us to be responsive to a crisis situation such as the present food emergency in Zambia. Communications with Nairobi are easy, and there are frequent nonstop flights to and from Nairobi.[9]

---

[8] Legislation and National Security Subcommittee hearing on "U.S. Mission and Office Operations—East Africa," Feb. 13, 1980. (Hereinafter referred to as "East Africa hearing.")
[9] East Africa hearing.

Not all testimony on REDSO's was so favorable. Ambassador to the Sudan, Bergus, in response to Chairman Brooks' request for any suggestions for improving administrative operations in U.S. missions, stated:

> Mr. Chairman, my primary recommendation has to do with the fact that, as I mentioned, my Embassy is now reaching the point where it is presently self-contained. Therefore, I would like to see the abolition of the layers which stand between us in Khartoum and between the Department of State, AID, and the other interested agencies in Washington.
>
> Specifically, I recommend the abolition, at least insofar as Khartoum is concerned, of the regional offices of AID, the regional budget and fiscal offices, the regional foreign buildings offices, and possibly the regional office of the Marine security guards.
>
> Nairobi is about 3 hours away by air. But the support we get from these regional offices in Khartoum is neither frequent enough nor useful enough to justify what I think is a very heavy expense of maintaining those offices. The one regional function I would like to see kept so far as Khartoum is concerned is the regional medical officer, who in our case is now stationed in Sana, Yemen. We need him. But the others, I would like to abolish these layers in between us and Washington, and work directly with Washington.

4. Extent of Servicing by REDSO

In testimony taken before the Subcommittee, Gordon W. Evans, Director of REDSO/West, stated that his professional staff had made 307 trips in 1978 and 336 in 1979 to client posts. Of the 1979 trips, he said 37 were to Senegal and 62 to Togo and Benin, a total of 235 working days.

It was Mr. Evans' position, expressed during the hearings, that field posts' demand for REDSO support always exceeds the availability of REDSO professional staff, and that field posts often find it necessary during the year to request assistance from REDSO which was not anticipated during the meetings which are held annually to lay out the work for the coming year.

REDSO/West's travel budget for FY 1979 totaled $319,000, of which about $300,000 was for TDY support. The travel cost analysis [10] was as follows:

Total Number of trips:	
Engineers	78
Lawyers	18
Contracting officers	26
Procurement advisors	20
Project design officers	44
Social scientist	48
Regional institution	18
Regional institution advisors	18
Food for Peace coordinators	33
Other	47
Total	329

[10] Travel chart on "Total Number of Trips" and "By Country Total" was reflected in an incoming telegram to the Department of State from the U.S. Embassy in Abidjan, Ivory Coast dated August 1979.

By country:

Cameroon	30
Chad	8
Ghana	3
Liberia	13
Mali	19
Niger	19
Senegal	44
Upper Volta	31
Zaire	17
Gambia	10
Guinea	3
Guinea Bissau	8
Cape Verde	12
Mauritania	12
Nigeria	7
Sierra Leone	14
Togo	39
Benin	20
Congo, Equatorial Guinea and Others	20
Total	329

In answers to questions submitted by the Subcommittee to Alexander R. Love, Director of REDSO/East, Mr. Love stated:

> On the average REDSO technicians spent 38 percent of the total calendar year in travel. This is 53 percent of the 240 days normally regarded as the working year. The actual travel days in calendar 1979 were 382.[11]

As of June 30, 1979, REDSO/East provided the following proportions of field capability:

A. 100 percent of legal, contract and environmental for 17 countries;

B. 100 percent of Food for Peace for 14 countries;

C. 100 percent of supply, management for 16 countries;

D. 100 percent of capital development offices for 9 countries; and

E. 100 percent of engineering for 14 countries.

REDSO/Nairobi expects to spend over $300,000 in FY 1979 on international travel and *per diem*. An analysis of travel for the twelve months ending June 30, 1979,[12] provided to the Subcommittee, is as follows:

Country	Number of trips	Percent of REDSO/East staff travel time
Sudan	15	7.7
Ethiopia	17	7.6
Somalia	18	8.2
Uganda	1	
Rwanda	13	3.8
Burundi	15	4.3
Tanzania	27	11.2
Malawi	11	4.6
Zambia	7	4.8
Mozambique	2	.9
Swaziland	18	8.8
Lesotho	29	15.3
Botswana	15	5.6
Seychelles	4	2.2
Djibouti	12	9.1
Kenya	10(−2)	2.6
Mauritius	5	1.3
Madagascar	1	1.3
Total	219	100.0

[11] East Africa hearing.

[12] The analysis of travel for the twelve months ending June 30, 1979, was reflected in an incoming telegram to the Department of State from the U.S. Embassy in Nairobi, Kenya, dated August, 1979.

It was Mr. Evans' opinion that servicing would be extremely difficult to achieve if the REDSO personnel were either centralized in Washington or spread out in field posts. And it was Mr. Love's position that none of the services presently provided from REDSO in East Africa could be provided as effectively from Washington.

5. Altering the REDSO Concept:

The principal concerns of the two REDSO mission directors received by the Subcommittee regarding the possibility of any alterations of the present REDSO concept of pooled essential personnel, included:

(1) The effect it would have on the ability to respond quickly to essential support requests;

(2) The fear that if advisors are dispersed to individual missions, the regional character of the positions would become diluted as individuals bend to the pressure to concentrate on problems of the local mission; and

(3) The loss of the regional team approach which would result if REDSO personnel were moved to the individual missions or to Washington.

In his statment before the Subcommittee during hearings in Abidjan, Ivory Coast, Mr. Evans stated:

> We have found that the interaction of REDSO personnel, both formally and informally, has considerably strengthened the project design and implementation processes. Furthermore, by the frequent movement of different members of the "team" between client missions, an important cross-fertilization occurs that is impossible to duplicate should the REDSO's be abolished.[13]

C. AID AUDITING OF OVERSEAS DEVELOPMENT ASSISTANCE PROGRAM

1. AID Auditor General

The AID Auditor General is responsible for reviewing AID's overseas development assistance programs. The Auditor General conducts a comprehensive program of audits and investigations in order to advise management of the efficiency, effectiveness, and integrity of Agency operations. The magnitude and difficulties of this task can be demonstrated by the fact that AID administers assistance programs with a pipeline in excess of $6 billion, consisting of approximately 1,500 active projects in more than 70 countries around the world. In addition, AID administers a portfolio of over 1,700 loans with a value of $6.2 billion, and assists with the implementation of Public Law 480 food programs amounting to $1.5 billion annually. These are carried out in cultures where U.S. laws, customs and standards generally do not apply, which makes the programs vulnerable to waste, fraud and error.

The Auditor General's Office is organized on a regional basis with offices located in Washington, D.C., Panama, Manila, Niarobi, Karachi, and Cairo.

---

[13] West Africa hearing.

2. Stationing of Auditors Overseas

The primary purpose of the joint OMB/State Department Task Force was to formulate recommendations aimed at reducing the level of American presence overseas. The Task Force issued its preliminary report at the end of July 1979 after two Task Force teams had visited 12 overseas posts in an effort to review U.S. Government staffing levels abroad relative to U.S. foreign policy goals and objectives.

One recommendation which concerned the Subcommittee and is the subject of discussion in this section of the report was that the Director of OMB prepare a Presidential directive requiring that Executive Branch auditors work from United States territory. The recommendation was based on the rationale that the audit function does not have an immediate benefit to the U.S. in term of advancing its foreign policy objectives.

At this point it should be mentioned that the Committee is in accord with the Department of State in recognizing the inherent adversarial relationship that seems to exist between a centralized personnel review and control system such as MODE [14] and the individual agencies involved. The Committee also recognizes the importance of a process to maintain the number of United States Government employees abroad at a minimum level consistent with overall U.S. national interest. The Committee is concerned, however, about a process that lacks flexibility to allow an exception in order to provide adequate audit personnel resources to those agencies faced with the task of providing audit coverage of programs whose cost totals in the billions of dollars.

3. Recommendation of the Joint OMB/DOS Review Team Report:

A memorandum drafted and circulated at OMB, recommending a return to U.S. territory of all U.S. direct-hire auditors and Foreign Assistance Inspectors stationed overseas, stated, in pertinent part:

> Of all aspects of program management overseas, the audit function has the least immediate benefit to the U.S. in terms of advancing its foreign policy objectives * * * While such audits are useful and necessary, especially in today's domestic political environment, they do not relate closely to overseas objectives except in those instances where outright fraud is uncovered. We believe that audit activities in general can be reduced and that those reviews which are deemed necessary can be conducted on a TDY basis from offices on United States territory.

---

[14] The Monitoring Overseas Direct Employment (MODE) process is an attempt by the National Security Council to maintain the number of United States Government employees abroad "at a minimum level consistent with overall U.S. national interests." In describing the MODE process to members of the Subcommittee on Legislation and National Security during a hearing held on June 26, 1980, on the Adequacy of AID Resources for Auditing Overseas Assistance Programs, Mr. Ben Read, the Under Secretary of State for Management stated:

> In the first instance the MODE process obtains the views of all Chiefs of Mission about the staffing levels of personnel of all agencies attached to the Missions needed to carry out USG interests abroad in accordance with the responsibilities placed on them by statute and Presidential Order to "direct, coordinate and supervise" such activities in the countries to which they are accredited * * *. Recommendations regarding the MODE ceiling are shared by the Department of State with the affected agencies. A formal system, involving participation of the Assistant Secretaries for the regional bureaus is in place to resolve agency disputes.

In response to growing concern, both public and Congressional, on the impact such a recommendation could have on AID's ability to audit U.S. overseas assistance programs, the Legislation and National Security Subcommittee held hearings on June 26, 1980 to study the issue.

Chairman Clement J. Zablocki, Chairman of the House Committee on Foreign Affairs, in a letter to Chairman Brooks, expressed his concern regarding the recommendation. The letter expressed the need for the adoption by the Executive Branch of a more flexible approach to the positioning of auditors stationed overseas. The letter also expressed the view that a more appropriate response to areas such as Africa, where U.S. programs are increasing and logistical problems are enhanced by the coverage of such a wide and diverse area, would be to increase the number of auditors in that area.

In his opening statement Chairman Brooks expressed the essential need for adequate audit and investigation for effective program management. He stated:

> AID administers billions of dollars in U.S. development assistance programs covering hundreds of projects in 70 countries around the world. The projects are often carried out in areas and under conditions which render them highly susceptible to waste, fraud, and error. For these programs to be effective, it is essential that they be well managed. Adequate audit and investigation is essential to effective program management.[15]

In remarks by Congressman Frank Horton, Ranking Minority Member of the Subcommittee, the Congressman expressed additional concern regarding the recommendation. Mr. Horton stated:

> At the outset I would like to stress that I would not favor action which would result in a less effective audit operation. Today more than ever, the American people want to know where their tax dollars are going and how effectively those dollars are being used. When AID goes into an underdeveloped country and initiates worthwhile projects, it seems only logical to insist that AID monitor as closely as possible the financial compliance, efficiency, and results of those projects.[16]

During the hearing the Subcommittee learned that a committee had been formed, consisting of representatives from AID, the State Department and OMB, to study the review team's proposal on auditors. The Subcommittee was informed that the committee's analysis showed that relocation of AID auditors to the U.S. was not feasible at this time.[17]

---

[15] Legislation and National Security Subcommittee hearing on "Adequacy of AID Resources for Auditing Overseas Assistance Programs," June 26, 1980.

[16] Subcommittee staff was briefed prior to the hearing by the AID Auditor General. During this briefing, the staff learned that the ad hoc group's (committee referred to in the Report) work began immediately and culminated in June 1980. Two major issues were initially confronted with those findings:

(1) There is little, if any, cost benefit which would result from withdrawal of AID's overseas audit/inspection force and the subsequent conduct of their work on a TDY basis from U.S. territory;

(2) There is a need for an AID overseas audit/inspection presence due to the unusual nature of AID programs and their vulnerability to waste, fraud and error.

[17] Ibid.

The Subcommittee was told that the principal finding of the interagency committee was that AID has no audit and inspection office in West Africa and that this deficiency made audit and inspection coverage for West Africa difficult to achieve.

The committee made several recommendations, one of which included the establishment of an audit office in West Africa. The committee also recommended certain staffing changes overseas.[18]

The staffing changes would reduce the number of American AID auditors and inspection positions overseas from 71 to 52.

In answer to a question addressed by Chairman Brooks to Douglas J. Bennet, Jr., Administrator of AID, regarding the reduction of auditors and inspectors from 71 to 52, Mr. Bennet said he believed that the transfer, in addition to the realignment of the remaining audit and inspection positions overseas, would still allow adequate oversight to AID's programs although they would likely have to supplement their overseas coverage from Washington.

AID Auditor General Herbert L. Beckington's response to this same question was that he did not believe that a cut of 27% and the accompanying relocations would allow adequate audit/inspection oversight. He went on to state:

> * * * No organization is perfect. We can, I believe, through reorganization and redeployment, reduce our audit/inspection staff without adverse impact. It is, however, a matter of degree and I am concerned that a cut of this size will be harmful.
>
> Specifically, a cut of 19 positions will reduce our coverage in the Near East and leave us with what I believe is still inadequate coverage of our West African programs.
>
> Perhaps more important is the lack of certainty I have as to AID's ability to increase our overseas ceilings—or shift our overseas resources—according to future needs.[19]

In his closing statement, Chairman Brooks expressed hope that future requests by AID's Administrator and Auditor General to provide greater audit and investigation resources when necessary would be considered favorably by the Department of State and OMB.

In a question by the Chairman, directed to Ben H. Read, Under Secretary of State for Management, on the flexibility that the AID Ad-

---

[18] AID's current overseas audit and inspection team consists of the following:

	Auditors	Inspectors
Cairo	6	3
Nairobi	11	0
Manila	9	3
Panama	16	4
Karachi	14	5
Overseas total	56	15
Domestic	46	12

All auditors and inspectors were evacuated from Karachi during the anti-American riots in Islamabad in November 1979. The interagency committee found that the regional offices in Karachi and Panama were no longer the optimal location from which to provide regional audit coverage. Therefore, the committee recommended to close the Panama office and station one auditor in La Paz, Bolivia, close to the Karachi regional office, and increase the Washington staff to permit coverage of Latin America.

[19] Ibid.

ministrator should have in deciding within reason where to station his audit inspection staff and in what numbers, Mr. Read responded:

> Because the decision on level and the West African placement has just been agreed to within the Executive Branch, we have not yet reached an accord as to which West African country will will be the base for the seven-person office. But I am sure we can reach an accord and will do so with dispatch.[20]

In the same line of questioning by the Chairman to Mr. Read, as to whether the AID Administrator and Auditor General would be able to place additional audit and inspection positions overseas or establish new locations if they determined it to be necessary, Mr. Read responded by saying that he assumed that would would be the case.

The remaining sections of this report will be devoted to testimony and findings resulting from the on-site hearings and investigations conducted by the Subcommittee in East and West Africa on the AID Area Auditor General's Office in East Africa and lack of one for West Africa.

4. Area Auditor General's Office

Presently, AID has in operation an Office of the Area Auditor General for East Africa, but has been unsuccessful in its attempt to relocate an office in West Africa.

The Office of the Area Auditor General for East Africa, located in Nairobi, Kenya, reports directly to AID's Auditor General in Washington, D.C. This office is responsible for auditing all AID activities in twenty-two (22) countries located in Northern, Eastern, and Southern Africa.

(a) Service Provided by the Area Auditor General in East Africa

The audits conducted by the Area Auditor General for East Africa cover all phases of AID activities. They include audits of development grants, development loans, P.L. 480 programs, disaster relief programs, housing investment guarantees, and commodity import programs, as well as controls of U.S. owned local currencies. These audits are designed to include a review of financial compliance, efficiency, economy, and effectiveness in achieving the office's objectives.

In answers to questions submitted by the Subcommittee in its review of this office, it learned that, while there were no major problems with providing audit coverage for AID missions and programs in East Africa, difficulty did exist in auditing AID activities in Tanzania.

Mr. Ray D. Cramer, Area Auditor General for East Africa stated:

> For about the past two years, Tanzania does not usually permit travelers to enter their country directly from Kenya. This necessitates using an indirect route (usually through Ethiopia or the Seychelles), which adds to the cost (time and travel expenses) of the trip. At times, the AID mission in Tanzania has been unable to obtain a border crossing pass

[20] Ibid.

> which permits us to drive to Northern Tanzania, where an airplane can be taken to Dar es Sallem. We estimate a savings of about $700 per trip by using the border crossing pass. However, it has lately become more difficult to obtain such a pass.[21]

Although the Area Auditor General for East Africa believed that it would be possible to provide audit coverage out of Washington, D.C., he felt that such an operation would not be cost effective and would cause considerable morale problems among the audit staff.

(*b*) *Staff Employed*

To accomplish the responsibilities for the Area Auditor General's Office for East Africa, the office has an authorized personnel ceiling of eleven (11) U.S. direct hires (10 professional auditors and one secretary), one foreign national auditor (located in Tunis), and one foreign national secretary. With the exception of two U.S. direct hire auditors, all positions are currently filled.

(*c*) *Extent of Servicing by the Area Auditor General*

From April 1978 to March 1979, the East African auditors spent forty-three (43) percent of available time or thirty-four (34) percent of work days away from Nairobi, conducting audits. The average length of trips was twelve (12) days. From April 1979 to the end of January 1980 a slight percentage change occurred in that forty-three (43) percent of available time or thirty-two (32) percent of the work days was spent away from Nairobi, and the average length of the trips was fourteen (14) days.

5. Lack of Presence of Area Auditor General in West Africa

In a series of briefings between the Subcommittee staff and the AID Auditor General in Washington, D.C. attention was given to the fact that since 1977, the AID offices located in West Africa have had little or no audit activities performed, due to the lack of an Area Auditor General Office in West Africa.

In an attempt to continue audit coverage for West Africa, the AID Auditor General in Washington established a group which was to work out of Washington. The aim of this group was to provide audit coverage to West Africa until another office could be established. However, this effort has proved unsuccessful.

In response to a question from Chairman Brooks concerning the lack of coverage in West Africa, during hearings held in Abidjan, Mr. David Shear, the Director of the AID Mission in Dakar, Senegal, expressed his concern about the lack of audit coverage and went on to say:

> * * * The last audit of an AID project in Senegal was completed in 1977. Thus, no audits have been conducted on AID projects in Senegal over the past two years. I feel that this lack of audit coverage in West Africa is a serious AID management weakness and I have brought this to the attention of AID management officials in Washington very recently.[22]

---

[21] East Africa hearing.
[22] West Africa hearing.

The primary reason given for the lack of audit coverage in West Africa during the Subcommittee briefings by the Auditor General was failure to find an appropriate location for an office in West Africa.

Gerald A. Freedman, Charge D'Affaires of the United States Embassy in the Ivory Coast, remarked in his opening statement before the Subcommittee, during hearings in the Ivory Coast, that the U.S. Government finds Abidjan a convenient place to locate regional offices.

In an answer to a question presented to Mr. Cramer by Chairman Brooks, regarding resources that would be needed by his office in order to provide audit coverage for all the AID activities in all of Africa, Mr. Cramer stated:

> Although it would be possible to cover all of Africa from Nairobi to keep travel costs down and morale high it would be better to locate an AAG Office or sub-office in West Africa. Preferably, this should be located in Abidjan—to take advantage of project data and personnel located in the REDSO/West organization.[23]

V. Conclusion

This report does not seek to judge the performances of the Agency for International Development's Regional Economic Development Services Offices (REDSO) or its regional auditors. The Committee in this instance is primarily concerned with (1) of the recent State/OMB review of AID's regional personnel in East and West Africa, and (2) the adverse impact any arbitrary reduction of regional personnel would have on AID's program management and efficiency.

It is the Committee's view that the State/OMB review team erred in its findings with regard to AID's regional services. Barring supportable evidence that REDSOs are not needed, the Committee favors continuation of REDSO activities in East and West Africa.

The Committee strongly endorses the use of AID regional auditors in the field. It views any effort to withdraw AID auditors/inspectors from the field and to perform overseas audits solely on a temporary duty basis out of Washington as unwise. Such action would severely handicap adequate audits and investigations of our foreign developmental assistance programs.

---

[23] East Africa hearing.

○